

**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**

*Romaine &  
Associates, PLLC*

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CERTIFIED PUBLIC ACCOUNTANTS

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARLISLE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2007**

Romaine & Associates, PLLC has completed the Carlisle County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Due to prior year opinion being disclaimed, a comparison could not be presented. Operations resulted in excess fees of \$19,295 as of December 31, 2007, of which \$14,295 is currently due to the Carlisle County Fiscal Court.

#### **Report Comment(s):**

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Prepare and Publish An Annual Fee Settlement
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Have Deposited Receipts On A Daily Basis
- The Sheriff Should Maintain Proper Support For All Disbursements
- The Sheriff Should Strengthen Internal Controls Over Financial Reporting
- The Sheriff's Office Should Properly Safeguard All Financial Records From Loss
- The Sheriff's Office Should Maintain Funds In An Interest-Bearing Account
- The Sheriff Should Not Receive Lump Sum Expense Allowance
- The Fiscal Court And County Attorney Should Review The Sheriff's Mileage Reimbursement Policy

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.

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# Romaine & Associates, PLLC

Krista Romaine, CPA, Member

Charlotte Clark, Member

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CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Carlisle County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2009 on our consideration of the Carlisle County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

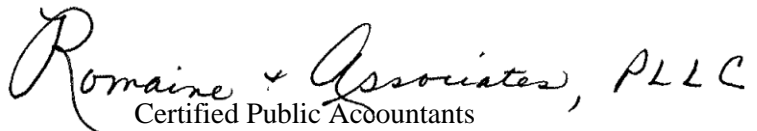
The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Prepare and Publish An Annual Fee Settlement
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Have Deposited Receipts On A Daily Basis
- The Sheriff Should Maintain Proper Support For All Disbursements
- The Sheriff Should Strengthen Internal Controls Over Financial Reporting
- The Sheriff's Office Should Properly Safeguard All Financial Records From Loss
- The Sheriff's Office Should Maintain Funds In An Interest-Bearing Account
- The Sheriff Should Not Receive Lump Sum Expense Allowance
- The Fiscal Court And County Attorney Should Review The Sheriff's Mileage Reimbursement Policy

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Carlisle County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

  
Certified Public Accountants

December 7, 2009

CARLISLE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 76	
Cabinet For Human Resources	3,282	
Sheriff Security Service	3,611	\$ 6,969

Circuit Court Clerk:

Fines and Fees Collected		1,340
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Fiscal Court		67,038
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County Clerk - Delinquent Taxes		5,129
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Commission On Taxes Collected		55,419
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Fees Collected For Services:

Auto Inspections	1,600	
Accident and Police Reports	202	
Serving Papers	5,830	
Carrying Concealed Deadly Weapon Permits	780	
Pictures	113	8,525

Other:

Deputy Support	8,980	
Miscellaneous	5,638	14,618

Borrowed Money:

State Advancement		7,500

Total Revenues		166,538
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The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2007  
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	23,228	
Part-Time Salaries		1,200	
Other Salaries		23,192	\$ 47,620
Contracted Services-			
Advertising			1,092
Materials and Supplies-			
Office Materials and Supplies		1,534	
Uniforms		594	
Equipment		1,729	3,857
Auto Expense-			
Mileage			18,000
Other Charges-			
Conventions and Travel		1,471	
Dues		330	
Postage		136	
Jury Meals		37	
Education		139	
CCDW		270	
Return of Fugitives		125	
Bank Charges		150	
Cell Phones		1,200	
Miscellaneous		628	4,486
Debt Service:			
State Advancement			7,500
Total Expenditures			82,555
Less: Disallowed Expenditures			
Bank Charges		150	
Cell Phones		1,200	1,350
Total Allowable Expenditures			81,205

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2007  
(Continued)

Net Revenues	\$ 85,333
Less: Statutory Maximum	<u>66,038</u>
Excess Fees Due County for 2007	19,295
Payment to Fiscal Court: March 17, 2008	<u>5,000</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 14,295</u></u>

The accompanying notes are an integral part of this financial statement.



CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Carlisle County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Carlisle County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 4. Drug Fund

The Carlisle County Sheriff maintains a drug forfeiture fund, as set forth by KRS 218.435. The account is to be funded by court-ordered forfeiture of money or funds received from the sale of forfeited assets, and interest received on deposits of forfeiture funds. The funds are to be used for various law-enforcement operations, equipment, and education. As of January 1, 2006, the Drug Fund has a balance of \$3,277. During the year, funds of \$20,493 were received and \$23,506 was expended, leaving a ending balance at December 31, 2007 of \$264.

During the year the sheriff's drug fund purchased equipment with the proceeds from a loan in the amount of \$10,000. A grant in the amount of \$10,000 was received during the year for reimbursement of such equipment purchased.

Note 5. Deputy Fund

The Sheriff's Office established a Deputy Fund in 2003 for the purpose of paying deputy salaries. On January 1, 2006, there was no balance in the account. During 2007, funds of \$9,000 were received from transfer from 2006 fee account and \$8,980 was expended, leaving an ending balance at December 31, 2007 of \$20.

Note 6. Fund Deficit

The Carlisle County Sheriff has a fund deficit of \$1,350 in his official fee account as of December 31, 2007. This deficit resulted from expenditures being disallowed. During our audit of expenditures, we noted that bank overdraft charges were charged to the fee account. These expenditures are disallowed expenditures. The sheriff has a responsibility to make sure funds are available before checks are issued. Thus taxpayers should not be responsible for such expenditures. We recommend that the Sheriff reimburse \$150 from personal funds for these bank overdraft fees.

Review of the Sheriff's disbursements ledger revealed \$1,200 of expenditures for cell phone allowances. KRS 64.710 states that no public officer or employee should receive lump sum expense allowance for personal or official expenses, except where such allowance is expressly provided by statute or is specifically appropriated by the General Assembly. The Sheriff should eliminate this deficit by depositing \$1,350 from personal funds to his official account. We recommend in the future that the Sheriff refrain from paying for these types of expenses.

CARLISLE COUNTY  
STEVE McCHRISTIAN, COUNTY SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

Year Ended December 31, 2007

Assets

Cash in Bank	\$ 418
Receivables:	
Due from 2008 Sheriff Fee Account	<u>18,000</u>
Total Assets	18,418

Liabilities

Unpaid Obligations:

Carlisle County-		
Excess Fees - 2007	\$ 14,295	
Tax Account - 2007	<u>5,473</u>	
Total Unpaid Obligations		<u>19,768</u>

Total Fund Deficit as of December 31, 2007 (see note disclosures)	<u><u>\$ (1,350)</u></u>
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Krista Romaine, CPA, Member

Charlotte Clark, Member

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Greg Terry, Carlisle County Judge/Executive  
The Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Carlisle County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated December 7, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Carlisle County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. However as discussed below, we identified deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Office Should Properly Safeguard All Financial Records From Loss
- The Sheriff Should Maintain Proper Support For All Disbursements
- The Sheriff Should Strengthen Internal Controls Over Financial Reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

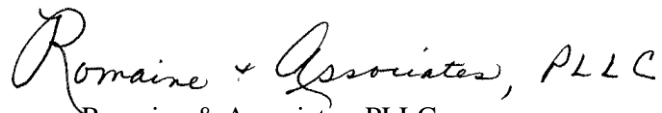
- The Sheriff Should Prepare and Publish An Annual Fee Settlement
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Have Deposited Receipts On A Daily Basis
- The Sheriff's Office Should Maintain Funds In An Interest-Bearing Account
- The Sheriff Should Not Receive Lump Sum Expense Allowance
- The Fiscal Court And County Attorney Should Review The Sheriff's Mileage Reimbursement Policy

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

The Carlisle County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Carlisle County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
Romaine & Associates, PLLC  
Certified Public Accountants

December 7, 2009



## COMMENTS AND RECOMMENDATIONS

CARLISLE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties. Due to the limited number of staff and the diversity of operations, the bookkeeper performs multiple tasks such as the collection of cash from customers, daily checkout procedures, deposit preparation, bookkeeping, the preparation of checks for disbursements, and the bank reconciliations

Segregation of duties over these tasks or the implementation of compensating control when limited by the number of staff is essential for providing protection from misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets and/or inaccurate financial reporting, we recommend the sheriff segregate the duties noted above to the extent possible. For those duties that cannot be segregated due to a limited number of staff, strong oversight should be provided to the employee or employees responsible for those duties.

*Sheriff's Response: Due to the funding of the Carlisle County Sheriff's Office, we are financially unable to assign separate Deputies or employees to each of the Departmental duties.*

The Sheriff Should Maintain Proper Support For All Disbursements

Testing of the Sheriff's disbursements revealed deficiencies in the Sheriff's record retention. Our test of expenditures included twenty (20) disbursements, thirteen (13) of which the Sheriff did not have the proper supporting documentation, which had to be obtained from the vendors or a signed affidavit was obtained to support the expenditures. We recommend the Sheriff retain proper supporting documentation for all disbursements in order to prevent the possibility of disallowed expenditures due to a lack of support.

*Sheriff's Response: The Carlisle County Sheriff's Office maintains receipts and proof of all disbursements. This report is from the year 2007 and again the Carlisle County Sheriff's Office suffered a loss of many of its disbursements records.*

CARLISE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL  
WEAKNESSES:-(Continued)

The Sheriff's Office Should Properly Safeguard All Financial Records From Loss

The Sheriff's office had inadequate controls over safeguarding of financial records. On December 26, 2007 an arson fire destroyed all financial records pertaining to the Sheriff's office. The financial records were not in a fire proof area or room nor were any financial backup's located offsite.

The Sheriff should establish controls to achieve the objective of safeguarding the financial records. All financial records should be stored in a fire resistant area or room in order to protect these assets from a loss. An electrical data backup should be maintained offsite in order to protect information from this type of loss.

*Sheriff's Response: Safeguarding records is a top priority of the Carlisle County Sheriff's office. We strive to maintain the privacy of its citizens as well as preserving our financial records. In the December 2007 fire destruction of the Carlisle County Courthouse, many of our records were destroyed. We hope to have fireproof office supplies in the new courthouse.*

The Sheriff Should Strengthen Internal Controls Over Financial Reporting

Strong internal controls over the recording of receipts and disbursements are essential to ensure that receipts and disbursements journals are properly maintained and that the correct amount of excess fees is turned over to fiscal court. The Sheriff, as an elected official, is responsible for the design and implementation of programs and controls that will ensure receipts and disbursements are recorded properly and that financial reports are accurately stated.

As a result, we recommend the Sheriff strengthen internal controls over the recording of receipts and disbursements and financial reporting. Such controls should include accounting for the numerical sequence of issued receipt forms and the reconciliation of the bank statements to the receipts and disbursements ledgers. A review of daily checkout procedures should also be performed. This review should include agreeing the daily checkout sheet to the batched totals of daily receipts, the postings to the receipts ledger, and the bank deposit. By effectively implementing these controls, the Sheriff can significantly reduce the risk of misstatements going undetected.

*Sheriff's Response: The Carlisle County Sheriff's Office provided auditors with all of the remaining records for 2007 and created a ledger from remaining receipts, daily reports and bank statements.*

CARLISE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

STATE LAWS AND REGULATIONS:

The Sheriff Should Maintain Complete and Accurate Accounting Records

KRS 68.210 and KRS 134.160 require the Sheriff to maintain minimum accounting records. Auditor noted several deficiencies in the Sheriff's accounting records, which could be considered, in the aggregate, as a material weakness.

- Quarterly report incomplete (does not include all transactions and a lease/liabilities section)
- The ledgers were not reconciled to the Quarterly report
- Budget amendments were not submitted for any receipts/expenditures not included in original budget (original budget was exceeded)
- Material audit adjustments

We recommend that the Sheriff establish and maintain proper minimum accounting records as required by KRS 68.210 and KRS 134.160 by implementing following procedures:

- Ledgers should be maintained/updated on all accounts until such accounts are closed-out
- Any fee monies received after the close of the calendar year should be deposited to the fee account it pertains to unless that year has been closed. These funds will be deposited into the current year fee account.
- The Quarterly Report (front page) should include a reconciliation for all accounts of the Sheriff's office for the entire calendar year
- Budget Amendments should be submitted and approved by the fiscal court for any unexpected receipts and/or expenditures
- Receipts and expenditures ledgers should be reconciled to the Quarterly Report

*Sheriff's Response: The Carlisle County Sheriff's Office has complete and accurate accounting records for all years excluding 2006 & 2007. The 2006 records were destroyed in the courthouse fire as well due to the state being behind in completing their audits.*

The Sheriff Should Have Deposited Receipts On A Daily Basis

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes depositing receipts intact on a daily basis into a federally insured banking institution. Also, Technical Audit Bulletin 93-002 states, "a county official is in violation of KRS 64.850, Commingling of Public Funds, if more than \$200 of public funds are accumulated and/or retained and not deposited into an official bank account intact on a daily basis." The Sheriff did not make deposits of more than \$200 in a timely manner. We tested daily receipts with deposits for the calendar year, only seven (7) daily collections were deposited within three business days; all others were in excess of three business days. Some of the delays in deposit included:

CARLISE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

STATE LAWS AND REGULATIONS- (Continued)

The Sheriff Should Have Deposited Receipts On A Daily Basis (Continued)

- Collections from January 29, 2007 through January 31, 2007 in the amount of \$7,713 were not deposited until March 16, 2007.
- Collections from February 1, 2007 through March 2, 2007 in the amount of \$3,153 were not deposited until April 16, 2007
- Collections from March 5, 2007 through March 30, 2007 in the amount of \$2,906 were not deposited until May 10, 2007.

We recommend that funds should be deposited on daily basis in order to comply with state regulations.

*Sheriff's Response: The Carlisle County Sheriff's Office has deposited all monies in its possession. The Sheriff's Office states that on occasion monies tendered in a given day were not deposited that day; rather the deposits were made at such a time when an employee was available to complete its banking during business hours. The Sheriff's office has corrected this procedure and will prioritize more timely deposits.*

The Sheriff Should Maintain Funds In An Interest-bearing Account

Audit procedures revealed that interest was not being earned on the Sheriff's fee account. K.R.S. 66.480 (4) states, "Sheriffs...may, and at the direction of the fiscal court shall, invest and reinvest money subject to their control and jurisdiction, including tax dollars subject to the provisions of K.R.S. 134.300, 134.320, and 160.510, ...". While the investment of public funds may not be required by fiscal court, we recommend the Sheriff deposit his fees into an interest-bearing account.

*Sheriff's Response: The Carlisle County Sheriff's Office has contacted the bank that maintains its funds to assure that any available funds will be maintained in an interest bearing account.*

The Sheriff Should Prepare and Publish An Annual Fee Settlement

The Sheriff has not prepared an annual settlement as required by KRS 134.310(5). KRS 134.310(5) requires the Sheriff to file an annual settlement with the fiscal court when he files his yearly tax settlement, with September 1 being the latest date to file. In addition, the Sheriff did not publish an annual settlement in accordance with KRS 424.220, which requires financial statements be published within 60 days after the end of the calendar year. We recommend the Sheriff comply with these statutes by preparing, publishing, and filing an annual settlement within the proper time periods.

*Sheriff's Response: In the year 2007 we were unable to prepare the annual settlement nor publish it within 60 days after the end of the year as required by statute due to the destruction of our records in the courthouse fire.*

CARLISE COUNTY  
STEVE McCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

STATE LAWS AND REGULATIONS- (Continued)

The Sheriff Should Not Receive Lump Sum Expense Allowances

Review of the Sheriff's disbursements ledger revealed \$1,200 of expenditures for cell phone allowances. KRS 64.710 states that no public officer or employee should receive lump sum expense allowance for personal or official expenses, except where such allowance is expressly provided by statute or is specifically appropriated by the General Assembly. We recommend the Sheriff repay the lump sum payments and explore entering into an office cell phone plan to be used solely for official business.

*Sheriff's Response: Lump sum expense allowances will no longer be the practice of the Carlisle County Sheriff's Office beginning in 2010 as this was not brought to our attention until the completion of this audit. As such, audits regarding years 2008 & 2009 will have lump sum expense allowances.*

The Fiscal Court And County Attorney Should Review The Sheriff's Mileage Reimbursement Policy

While conducting audit procedures on expenditures, the amount of Sheriff's fees expended on mileage reimbursement to the Sheriff came to our attention. In calendar year 2007, \$18,000 was paid directly to the Sheriff for the use of personally owned vehicles. Under the current fiscal court policy for mileage reimbursement, the sheriff is to receive a reduced mileage rate less than the state mileage rate on the vehicles he owns personally; normally six to eight police cruisers. The Fiscal court pays for insurance and fuel cost for all vehicles. We recommend the Fiscal Court investigate more efficient ways to provide transportation to the Sheriff and his deputies. We also recommend the County Attorney and the Ethics Commission review and opine on whether or not such policy is acceptable.

*Sheriff's Response: The vehicles maintained by the Carlisle County Sheriff's office are compliant with the regulations of Kentucky's Law Enforcement Vehicles.*